



STATE BOARD OF EQUALIZATION  
PROPERTY AND SPECIAL TAXES DEPARTMENT  
450 N STREET, SACRAMENTO, CALIFORNIA  
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064  
916 445-4982 • FAX 916 323-8765  
www.boe.ca.gov

BETTY T. YEE  
Acting Member  
First District, San Francisco

BILL LEONARD  
Second District, Sacramento/Ontario

CLAUDE PARRISH  
Third District, Long Beach

JOHN CHIANG  
Fourth District, Los Angeles

STEVE WESTLY  
State Controller, Sacramento

RAMON J. HIRSIG  
Executive Director

April 1, 2005

TO INTERESTED PARTIES:

### PROPOSED WELFARE EXEMPTION RULES

Letter To Assessors 2004/052, dated September 17, 2004, announced the welfare exemption rules project. The Board initiated this rulemaking project for the purpose of adopting new Property Tax Rules to implement statutory law pertaining to the welfare exemption. Interested parties were invited to submit comments with regard to subject areas or statutory provisions that should be addressed in the new rules.

After analyses of the comments and suggestions received from interested parties, Board staff identified eight key issues that required additional input and discussion with interested parties. The project then progressed as follows:

- On January 14, 2005, an interested parties letter was released providing a listing of the key issues that staff had identified as requiring further input and discussion.
- On February 24, 2005, an interested parties letter was released providing a summary of staff's preliminary opinion on each of the key issues.
- On March 16, 2005, an interested parties meeting was held in Sacramento to discuss the key issues. Staff announced that drafts of the proposed rules would be distributed by the end of March.

Enclosed are drafts of proposed rules:

- Rule 140, *Requirements of Managing General Partner of Limited Partnership for Welfare Exemption for Low-Income Housing Properties*
- Rule 141, *Requirements for Supplemental Clearance Certificate for Limited Partnership for Welfare Exemption For Low-Income Housing Properties*
- Rule 142, *Welfare Exemption Requirements for Low-Income Housing Properties*
- Rule 143, *Requirements for Irrevocable Dedication Clause and Dissolution Clause for Welfare Exemption*

Interested parties may submit comments, in the form of alternative language, on the drafts of the proposed rules. Alternative language should be submitted by April 20, 2005, to Ms. Ladeena Ford at ladeena.ford@boe.ca.gov. Please identify the draft rule, subdivision and page and line number for any alternative language submitted. Also, please provide supporting comments for the suggested change. These rules can be made available in an electronic Word format upon request.

After reviewing comments received from interested parties, staff will post a matrix on May 4, 2005, listing the comments and staff's position on each comment. The matrix, as well as all documents relating to this welfare exemption rulemaking project, will be posted to the Board's website at [www.boe.ca.gov/proptaxes/ptrwelfare.htm](http://www.boe.ca.gov/proptaxes/ptrwelfare.htm).

A second interested parties meeting will be held on May 11, 2005 to discuss the alternative language identified on the matrix. The meeting will be held at the Board's headquarters in Sacramento, 450 N Street, Board Room 121, beginning at 1 p.m.. It is anticipated that the project will then proceed as follows:

- Interested parties will have until May 20 to submit final comments regarding pending issues discussed at the May 11 meeting.
- Staff will prepare required documents for formal presentation to the Board, including significant issues on which interested parties could not reach agreement.
- The proposed rules will be discussed at the June 30, 2005 Board meeting.
- The formal rulemaking process commences once the Board approves regulatory language for publication.

If you have questions regarding this rulemaking project, you may contact Ms. Ladeena Ford at (916) 324-5839. Questions regarding staff's proposed language should be directed to Tax Counsel Sophia Chung at (916) 445-8485.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee, Chief  
Assessment Policy and Standards Division

Enclosures

1                   **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2                   **RULE 140 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3                   **OF THE BOARD OR ANY BOARD MEMBER.**

4  
5                   **DRAFT OF PROPOSED PROPERTY TAX RULE 140**  
6                   **REQUIREMENTS OF MANAGING GENERAL PARTNER**  
7                   **OF LIMITED PARTNERSHIP FOR WELFARE EXEMPTION**  
8                   **FOR LOW-INCOME HOUSING PROPERTIES**  
9

- 10  
11 (a) Definitions. The definitions set forth in this regulation shall govern the construction of  
12 Revenue and Taxation Code section 214, subdivision (g), which provides the requirements  
13 for the welfare exemption for low-income housing properties owned by a limited partnership  
14 in which the managing general partner is an eligible nonprofit corporation.  
15  
16 (1) “General partner” means “general partner” as defined by section 15611, subdivision (n)  
17 of the Corporations Code.  
18  
19 (2) “Limited partner” means “limited partner” as defined by section 15611, subdivision (q)  
20 of the Corporations Code.  
21  
22 (3) “Limited partnership” means a partnership formed by two or more persons with one or  
23 more general partners and one or more limited partners.  
24  
25 (4) “Limited partnership agreement” means any valid written agreement of the partners as to  
26 the affairs of a limited partnership and the conduct of its business, including all  
27 amendments thereto.  
28  
29 (5) “Majority in interest of the general partners” means more than 50 percent of the interests  
30 of the general partners.  
31  
32 (6) “Managing general partner” means a general partner that:  
33  
34                   (i) is a nonprofit corporation, meeting the requirements of Revenue and Taxation  
35 Code section 214, designated in the limited partnership agreement as the  
36 “managing general partner” of the limited partnership;  
37  
38                   (ii) receives a partnership management fee, the amount for which is set in the  
39 limited partnership agreement for performing its partnership management  
40 duties;  
41  
42                   (iii) has “material participation,” as defined in subdivision (a)(7) below, in the  
43 control, management, and direction of the limited partnership’s business and  
44 such material participation is specified in and required by the terms of the  
45 limited partnership agreement; and  
46  
47                   (iv) ensures that charitable services or benefits, such as vocational training,  
48 educational programs, childcare and after school programs, cultural  
49 activities, and family counseling, are provided or information regarding

1 charitable services or benefits are made available to the low-income housing  
2 tenants; and

- 3  
4 (v) does not have officers, directors, or employees that are also officers, directors,  
5 or employees of the for-profit general partners or limited partners of the  
6 limited partnership.

7  
8 (7) “Material participation” means that the limited partnership agreement expressly  
9 provides that the managing general partner:

- 10  
11 (i) has a vote in all the “major decisions,” defined in subdivision (a)(8) below; and  
12  
13 (ii) performs “substantial management duties,” defined in subdivision (a)(10)  
14 below.

15  
16 (8) “Major decisions” means those acts that may be done only by a vote of a majority in  
17 interest of the general partners as specified in the limited partnership agreement.

18  
19 (9) “Partner” means a limited or general partner.

20  
21 (10) “Substantial management duties” means that the managing general partner actually  
22 performs two or more of the following partnership management duties:

- 23  
24 (i) rent, maintain and repair the low-income housing property, and if such duties  
25 are delegated to a property management agent, participate in hiring and  
26 overseeing the work of the property management agent;  
27  
28 (ii) participate in hiring and overseeing the work of persons necessary to provide  
29 services for the management and operation of the partnership business;  
30  
31 (iii) enforce contracts executed by the limited partnership;  
32  
33 (iv) execute and deliver partnership documents on behalf of the limited  
34 partnership;  
35  
36 (v) prepare or cause to be prepared reports to be provided to the partners or  
37 lenders;  
38  
39 (vi) coordinate present or future development, construction, rehabilitation of low-  
40 income housing properties; and  
41  
42 (vii) monitor compliance with government regulations and file or supervise the  
43 filing of required documents with government agencies.  
44  
45  
46  
47

1 (b) The managing general partner must maintain records and documents evidencing each  
2 partnership management duty it performs and the charitable services and benefits provided or  
3 information made available to the low-income housing tenants. Such records and documents  
4 include, but are not limited to:

- 5
- 6 (1) accounting books and records;
- 7 (2) tax returns;
- 8 (3) budgets and financial reports;
- 9 (4) reports required by lenders;
- 10 (5) documents related to the construction or rehabilitation of real property;
- 11 (6) legal documents such as contracts, deeds, notes, leases, and deeds of trust;
- 12 (7) documents related to complying with government regulations and filings;
- 13 (8) documents related to property inspections;
- 14 (9) documents related to charitable services provided;
- 15 (10) reports prepared for the partners; and
- 16 (11) bank account records.
- 17

18 (c) Substitution of Managing General Partner. A limited partnership in which the managing  
19 general partner is an eligible nonprofit corporation that has qualified for the welfare  
20 exemption for low-income housing may allow a substitution of its managing general partner  
21 by another eligible nonprofit corporation without affecting the organizational qualification  
22 for the welfare exemption provided that:

23

- 24 (1) the limited partnership agreement authorizes the withdrawal of the existing managing  
25 general partner for the substituting managing general partner on the same effective date  
26 and the admission of the substituting managing general partner into the limited  
27 partnership is in compliance with the requirements of section 15641 of the Corporations  
28 Code; and

29

- 30 (2) the substituting managing general partner meets all of the requirements of a managing  
31 general partner set forth in subdivision (a)(6) above.

32

33 (d) Delegation of Authority Clause. If the limited partnership agreement contains a delegation of  
34 authority clause, such clause must provide either that:

35

- 36 (1) the managing general partner may not delegate any of its substantial management duties  
37 defined in (a)(10) above; or

38

- 39 (2) the managing general partner may delegate its substantial management duties, defined in  
40 (a)(10) above, to persons who, under its supervision, may perform such duties for the  
41 partnership subject to the supervision and approval by the managing general partner.

42

43 (e) Certification Requirements. The limited partnership must file for and receive a supplemental  
44 clearance certificate from the Board as provided in Regulation 141.

45

46 (f) The provisions of this regulation shall apply prospectively.

47

1                   **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2                   **RULE 141 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3                   **OF THE BOARD OR ANY BOARD MEMBER.**  
4

5                   **DRAFT OF PROPOSED PROPERTY TAX RULE 141**  
6                   **REQUIREMENTS FOR SUPPLEMENTAL CLEARANCE CERTIFICATE**  
7                   **FOR LIMITED PARTNERSHIP FOR WELFARE EXEMPTION**  
8                   **FOR LOW-INCOME HOUSING PROPERTIES**  
9

- 10 (a) A limited partnership in which the managing general partner is an eligible nonprofit  
11 corporation, as defined in Regulation 140, that owns low-income housing property for  
12 which it will claim the welfare exemption shall file with the State Board of Equalization  
13 an application for a Supplemental Clearance Certificate for each low-income housing  
14 property. The form of the application shall be prescribed by the State Board of  
15 Equalization.  
16
- 17 (b) A Supplemental Clearance Certificate may be granted only if the managing general  
18 partner has already been granted an Organizational Clearance Certificate by the State  
19 Board of Equalization, as required under Revenue and Taxation Code section 254.6.  
20
- 21 (c) In order to qualify for a Supplemental Clearance Certificate, the general partners of the  
22 limited partnership, including the managing general partner, must certify under penalty of  
23 perjury under the laws of the State of California, that:  
24
- 25 (1) The acquisition, rehabilitation, development, or operation of the property, or any  
26 combination of these factors, is financed with federal low-income housing tax credits  
27 or government financing, as defined in Regulation 142;  
28
- 29 (2) There is an enforceable and verifiable regulatory agreement or recorded deed  
30 restriction, as defined in Regulation 142, that restricts all or a portion of the  
31 property's usage for rental to lower income households and the units designated for  
32 use by lower income households are continuously available to or occupied by lower  
33 income households at rents that do not exceed those prescribed by section 50053 of  
34 the Health and Safety Code, or, to the extent that the terms of a regulatory agreement  
35 or recorded deed restriction, as defined in Regulation 142, conflict with section  
36 50053, rents that do not exceed those prescribed by such terms;  
37
- 38 (3) Funds that would have been necessary to pay property taxes are used to maintain the  
39 affordability of, or reduce rents otherwise necessary for, the units to be occupied by  
40 lower income households;  
41
- 42 (4) The managing general partner meets the requirements of Regulation 140; and  
43
- 44 (5) All of the information provided as part of the application for the Supplemental  
45 Clearance Certificate, including any accompanying statements or documents, is true,  
46 correct, and complete to the best of the knowledge and belief of the person(s) signing  
47 the application.  
48  
49

1 (d) The following information and documents shall be provided with the application for a  
2 Supplemental Clearance Certificate:

3  
4 (1) Legal name of the limited partnership;

5  
6 (2) Legal name of the managing general partner of the limited partnership, its  
7 corporate identification number and mailing address, and the date that it became  
8 the managing general partner of the limited partnership;

9  
10 (3) Name, title, telephone number, and e-mail address of person signing the  
11 application for the Supplemental Clearance Certificate;

12  
13 (4) The Organizational Clearance Certificate number and the date of issuance to the  
14 managing general partner. If an Organizational Clearance Certificate has not been  
15 issued to the managing general partner, an application for an Organizational  
16 Clearance Certificate must be filed by the managing general partner;

17  
18 (5) Complete address of the property for which the limited partnership is seeking the  
19 welfare exemption, including the zip code, and the date the limited partnership  
20 acquired the property;

21  
22 (6) Fiscal year for which the application is made;

23  
24 (7) List of any additions or deletions of general partners in the limited partnership, if  
25 any, after its formation;

26  
27 (8) Copy of Secretary of State form LP-1, Certificate of Limited Partnership, and, if  
28 applicable, Secretary of State form LP-2, Amendment to Certificate of Limited  
29 Partnership;

30  
31 (9) Copy of the regulatory agreement with a public agency, or a copy of a recorded  
32 deed restriction which verifies the receipt of federal low-income housing tax  
33 credits or government financing, as defined in Regulation 142; and

34  
35 (10) Copy of the grant deed.

36  
37 (e) The limited partnership shall include a copy of the Supplemental Clearance Certificate  
38 with its welfare exemption claim filed with the assessor of the county in which the  
39 property is located.

40  
41 (f) In the event that the general partner designated in the limited partnership agreement no  
42 longer meets the definition of managing general partner, as defined in Regulation 140, or  
43 the managing general partner withdraws from the partnership, the limited partnership  
44 shall report such event to the State Board of Equalization and the assessor of the county  
45 in which in property is located no later than the next succeeding annual filing deadline for  
46 the welfare exemption claim.

1                   **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2                   **RULE 142 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3                   **OF THE BOARD OR ANY BOARD MEMBER.**

4  
5                   **DRAFT OF PROPOSED PROPERTY TAX RULE 142**  
6                   **WELFARE EXEMPTION REQUIREMENTS**  
7                   **FOR LOW-INCOME HOUSING PROPERTIES**  
8

9           (a) **DEFINITIONS.** The definitions set forth in this regulation shall govern the construction of  
10           Revenue and Taxation Code section 214, subdivision (g):

- 11  
12           (1)    “Federal low-income housing tax credits” means that the property owner is eligible  
13           for and receives state low-income housing tax credits or federal low-income housing  
14           tax credits pursuant to section 42 of the Internal Revenue Code.  
15  
16           (2)    “Government financing” means financing or financial assistance from local, state or  
17           federal government used for the acquisition, rehabilitation, development, or operation  
18           of the low-income housing property in the form of: (1) tax-exempt mortgage revenue  
19           bonds; (2) general obligation bonds; (3) local, state or federal loans; (4) local, state or  
20           federal grants; (5) any loan insured or guaranteed by the federal government; and (6)  
21           project-based federal funding under section 8 of the Housing Act of 1937. The term  
22           “government financing” does not include properties that solely receive federal rental  
23           assistance through tenant rent-subsidy vouchers under section 8 of the Housing Act of  
24           1937.  
25  
26           (3)    "Other legal document" means a document that is adopted as a resolution or statement  
27           of policy by an organization's board of directors, or executed by an organization's  
28           chief executive officer, provided that the board of directors has delegated this  
29           authority in writing to the chief executive officer, that restricts the property's use to  
30           low-income housing, such that a minimum of 90% of the units of the property are  
31           made continuously available to or occupied by lower income households at rent levels  
32           defined in subdivision (c) below.  
33  
34           (4)    “Lower income households” means “lower income households” as defined by section  
35           50079.5 of the Health and Safety Code.  
36  
37           (5)    “Recorded deed restriction” means a deed recorded in the county in which the  
38           property is located, which specifies that all or a portion of the property's usage is  
39           restricted to rental to lower income households and identifies the number of units  
40           restricted to use as low-income housing.  
41  
42           (6)    “Regulatory agreement” means an enforceable and verifiable agreement with a  
43           government agency that has provided federal low-income housing tax credits or  
44           government financing for the acquisition, rehabilitation, development or operation of  
45           a low-income housing property that restricts all or a portion of the property's usage  
46           for rental to lower income households. The agreement shall identify the number of  
47           units restricted for use as low-income housing, specify the maximum rent allowed for  
48           those units, and be recorded in the county in which the property is located.  
49



1 (b) **QUALIFIED CLAIMANTS.** Claimants may qualify for the welfare exemption for low-  
2 income housing properties provided that the requirements set forth in either (1) or (2) below  
3 are met:  
4

5 (1) All claimants listed under Revenue and Taxation Code section 214, subdivision (g)(1) as  
6 a qualifying organization, including limited partnerships in which the managing general  
7 partner is an eligible nonprofit corporation, may qualify for the exemption for a particular  
8 property provided that:  
9

10 (i) the claimant receives federal low-income housing tax credits or government  
11 financing for the particular property; and  
12

13 (ii) the property is subject to a recorded deed restriction or a regulatory agreement  
14 which is recorded in the county in which the property is located.  
15

16 (2) All low-income housing properties, subject to restrictions imposed by an other legal  
17 document, defined in subdivision (a)(3) above, owned by claimants listed under Revenue  
18 and Taxation Code section 214, subdivision (g)(1) as a qualifying organization, other  
19 than limited partnerships in which the managing general partner is an eligible nonprofit  
20 corporation, qualify for the welfare exemption but the amount of the exemption shall not  
21 exceed \$20,000 in tax for a single claimant with respect to a single or multiple properties  
22 as provided in Revenue and Taxation Code section 214, subdivision (g)(1)(C).  
23

24 (c) **FEDERAL LOW-INCOME HOUSING TAX CREDITS AND GOVERNMENT**  
25 **FINANCING.** For purposes of subdivision (b)(1)(i) above, a property has federal low-  
26 income housing tax credits or government financing, as defined in subdivisions (a)(1) and  
27 (a)(2), respectively, for the period of time that a regulatory agreement or recorded deed  
28 restriction restricts the use of all or any portion of the property for rental to lower income  
29 households even if the government financing has been refinanced or has been paid in full, or  
30 the term of the federal low-income housing tax credits has expired, provided that the  
31 government agency that is a party to the regulatory agreement continues to monitor and  
32 enforce compliance with the terms of the regulatory agreement.  
33

34 (d) **PERCENTAGE OF UNITS AND RENT.**  
35

36 (1) For claims qualifying under subdivision (b)(1) above, an exemption shall be granted  
37 equal to that percentage of the value of the property, which is made continuously  
38 available for rental to or occupied by lower income households at rents that do not  
39 exceed those prescribed by section 50053 of the Health and Safety Code, or, to the  
40 extent that the terms of the regulatory agreement or recorded deed restriction conflict  
41 with section 50053, rents do not exceed those prescribed by such terms.  
42

43 (2) The percentage of the value of the property qualifying for the exemption is based on the  
44 actual use of the property for rental to lower income households for the qualifying rent,  
45 and is not limited to the percentage designated for use by lower income households in  
46 the regulatory agreement, recorded deed restriction, or other legal document.  
47

1                   **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2                   **RULE 143 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3                   **OF THE BOARD OR ANY BOARD MEMBER.**

4  
5                   **DRAFT OF PROPOSED PROPERTY TAX RULE 143**  
6                   **REQUIREMENTS FOR IRREVOCABLE DEDICATION CLAUSE**  
7                   **AND DISSOLUTION CLAUSE FOR WELFARE EXEMPTION**  
8

9                   **(a) DEFINITIONS.** For the purposes of this regulation:

- 10  
11                   (1) “Dissolution clause” means a statement in the organizational documents of a  
12                   qualifying organization that upon the liquidation, dissolution, or abandonment of the  
13                   qualifying organization, the exempt property will not inure to the benefit of any private  
14                   person except another qualifying organization.  
15  
16                   (2) “Irrevocable dedication clause” means a statement in the organizational documents of a  
17                   qualifying organization that the property is irrevocably dedicated exclusively to one or  
18                   more qualifying purposes.  
19  
20                   (3) “Organizational document” means the articles of incorporation of a corporation, or the  
21                   bylaws, articles of association, constitution or regulations of a community chest, fund,  
22                   or foundation, or corporation chartered by an act of Congress.  
23  
24                   (4) “Qualifying organization” means a community chest, fund, foundation, corporation, or  
25                   limited liability company meeting the requirements of Regulation 136, organized and  
26                   operated exclusively for religious, hospital, scientific, or charitable purposes.  
27                   Charitable purposes include educational purposes as defined in Revenue and Taxation  
28                   Code section 214, subdivision (j).  
29  
30                   (5) “Qualifying purpose” means a religious, hospital, scientific or charitable purpose.  
31                   Charitable purposes include educational purpose as defined in Revenue and Taxation  
32                   Code section 214, subdivision (j).  
33

34                   **(b) IN GENERAL.** In order to qualify for the welfare exemption provided in Revenue and  
35                   Taxation Code section 214, among other requirements specified therein, the property owned by  
36                   a qualifying organization must be irrevocably dedicated exclusively to a qualifying purpose, and  
37                   upon the liquidation, dissolution, or abandonment of the qualifying organization, the property  
38                   will not inure to the benefit of any private person except another qualifying organization. In  
39                   order to satisfy these requirements, the organizational document of the qualifying organization  
40                   must contain both an irrevocable dedication clause, which meets the requirements set forth in  
41                   subdivision (c) below, and a dissolution clause, which meets the requirements set forth in  
42                   subdivision (d) below.  
43

44                   **(c) IRREVOCABLE DEDICATION CLAUSE.** Property is deemed to be irrevocably dedicated  
45                   exclusively to a qualifying purpose provided that a qualifying organization’s organizational  
46                   document contains a statement that irrevocably dedicates its property exclusively to a  
47                   qualifying purpose.  
48

(1) If the organization's charitable purpose is educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j), the irrevocable dedication clause shall state that the property is irrevocably dedicated to educational purposes as defined in section 214, subdivision (j), or that the property is irrevocably dedicated to charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

(2) If the irrevocable dedication clause states that the property is dedicated to purposes other than the qualifying purposes, the property does not qualify for the welfare exemption.

(3) If the irrevocable dedication clause states that the property is irrevocably dedicated to a "public" or "public benefit" purpose, the property does not qualify for the welfare exemption.

(4) The following examples illustrate irrevocable dedication clauses as defined in subdivision (a)(3) above:

Example No. 1: The property owned by this organization is irrevocably dedicated to charitable, scientific, hospital, or religious purposes.

Example No. 2: The property owned by this organization is irrevocably dedicated to charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

Example No. 3: The property owned by this organization is irrevocably dedicated to educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j).

Example No. 4: The property located in California owned by this organization is irrevocably dedicated to charitable, scientific, hospital, or religious purposes.

**(d) DISSOLUTION CLAUSE.** In order to qualify for the welfare exemption, the qualifying organization's organizational document must contain a dissolution clause, which specifically states that its property will be distributed to another qualifying organization entity upon its liquidation, dissolution, or abandonment.

(1) If the dissolution clause in the organizational document designates a specific organization to receive the distribution, it must state and the designated organization must be a qualifying organization that is organized and operated for a qualifying purpose.

(2) The dissolution clause of the qualifying organization may provide that, upon the liquidation, dissolution, or abandonment of the qualifying organization, the property will inure to the benefit of a governmental entity.

(3) The following examples illustrate dissolution clauses as defined in subdivision (a)(1) above:

Example No. 1: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a qualifying organization under Revenue and Taxation

Code section 214, which is organized and operated for a charitable, scientific, hospital, or religious purpose.

Example No. 2: Upon the liquidation, dissolution or abandonment of this organization, the proceeds or assets related to property located in California, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for a charitable, scientific, hospital, or religious purpose.

Example No. 3: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for exclusively for charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

Example No. 4: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for exclusively for educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j).

**(e) FAILURE TO MEET REQUIREMENTS.**

- (1) If, at the time of filing, the applicant's organizational document does not contain an irrevocable dedication clause and/or a dissolution clause which meets the requirements of subdivisions (c) and (d), respectively, the organization does not qualify for the Organizational Clearance Certificate. However, the applicant may be issued an Organizational Clearance Certificate for the fiscal year for which the Organizational Clearance Certificate is requested on its application if the applicant amends its organizational documents and submits a certified copy of the amendment to the State Board of Equalization by the next succeeding lien date.
- (2) If, at the time of filing, applicant's organizational documents did not contain an irrevocable dedication clause and/or a dissolution clause which meets the requirements of subdivisions (c) and (d), respectively, and the applicant amends its organizational documents after the next succeeding lien date, an Organizational Clearance Certificate may be issued for the fiscal year following the lien date by which the applicant amends its organizational documents and submits a certified copy of the amendment to the State Board of Equalization.
- (3) If the applicant amends its articles of incorporation, the amended articles must be filed with the Secretary of State's office and an endorsed copy must be provided to the State Board of Equalization.
- (4) The county assessor may not approve a welfare exemption claim until the State Board of Equalization has issued an Organizational Clearance Certificate.